

## Message Text

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C O N F I D E N T I A L SECTION 1 OF 7 NEW DELHI 4599

CINCPAC FOR POLAD

E.O. 11652: GDS  
TAGS: AMGT, PFOR, IN  
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: STATE 038356; STATE 047671: CERP 0001

1. US INTERESTS - PEACE AND STABILITY: THE US WISHES TO SEE  
A PEACEFUL, STABLE, ECONOMICALLY DEVELOPING SUBCONTINENT IN  
WHICH HUMAN RIGHTS AND DEMOCRATIC INSTITUTIONS ARE RESPECTED.  
INDIA IS THE KEY TO THIS PROSPECT BECAUSE OF ITS PREDOMINANT  
SIZE, POPULATION, ECONOMIC BASE, MILITARY ESTABLISHMENT,  
INTERNATIONAL STATUS, AND VIGOROUS OBSERVANCE OF HUMAN RIGHTS  
AND DEMOCRATIC GOVERNMENT. DEVELOPMENTS IN THE LAST FEW YEARS  
HAVE BEEN ENCOURAGING IN TERMS OF THESE OBJECTIVES. RELATIONS  
BETWEEN INDIA AND BOTH PAKISTAN AND CHINA HAVE IMPROVED,  
AND RELATIONS WITH NEPAL AND SRI LANKA HAVE CONTINUED TO BE  
BASICALLY SATISFACTORY. INDIAN RELATIONS WITH BANGLADESH  
DETERIORATED AFTER 1975. AT PRESENT THESE RELATIONS ARE COOL  
AND UNEASY AND THE POTENTIAL FOR CONFLICT OR AT LEAST  
INSTABILITY EXISTS ON THIS FRONT. THE INDIAN ECONOMY, STILL  
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BESET BY PROBLEMS, HAS TURNED UPWARDS. THE MOST SIGNIFICANT  
DSMELOPMENT IN RECENT YEARS HAS BEEN THE REESTABLISHMENT OF  
DEMOCRATIC INSTITUTIONS.

2. HUMAN RIGHTS AND DEMOCRATIC INSTITUTIONS:  
DEFEAT OF THE CONGRESS PARTY AT THE POLLS IN FREE ELECTIONS,  
TERMINATION OF THE EMERGENCY, AND THE NEW GOVERNMENT'S

PLAN TO RESCIND ALL OF THE RESTRICTIVE MEASURES OF THE PREVIOUS GOVERNMENT HAS MADE INDIA AS FREE AS ANY COUNTRY IN THE WORLD. THE SUCCESSFUL PROCESS OF THE RECENT INDIAN ELECTIONS, THEIR RESULT, AND THE SMOOTH TRANSITION TO NEW GOVERNMENT HAS DEMONSTRATED THAT INDIAN TRADITIONS OF SELF-GOVERNMENT HAVE BEEN FAR STRONGER THAN PREVIOUSLY BELIEVED. THE NEW GOVERNMENT, HOWEVER, FACES SERIOUS PROBLEMS, BOTH IN RETAINING ITS POITICAL UNITY AND IN SUCCESSFULLY COPING WITH INDIAN ECONOMIC, SOCIAL AND POLITICAL PROBLEMS. I BELIEVE THAT THE UNITED STATES HAS A STRONG INTEREST IN SEEING DEMOCRATIC GOVERNMENT SUCCEED IN INDIA WHERE AUTHORITARIAN GOVERNMENT HAS FAILED.

3. RELATIONS WITH USSR AND US: THE CONCLUSION OF A BILATERAL TREATY BETWEEN INDIA AND THE USSR IN 1971 RAISED THE POSSIBILITY OF AN INCREASINGLY EXCLUSIVE RELATIONSHIP BETWEEN THE TWO COUNTRIES WHICH WOULD WORK TO THE DISADVANTAGE OF THE US AND OF STABILITY IN THE SUBCONTINENT. THIS HAS NOT OCCURRED AND THE INDIAN GOVERNMENT HAS ENDEAVORED IN THE LAST TWO YEARS TO REAFFIRM BOTH ITS NON-ALIGNED POSITION AND ITS INTEREST IN IMPROVED RELATIONS WITH THE US AND OTHER WESTERN COUNTRIES. IMPLYING THAT IT BELIEVES INDIA'S RELATIONS WITH GLOBAL POWERS HAS BEEN OUT OF BALANCE, THE NEW INDIAN GOVERNMENT HAS STRONGLY AFFIRMED ITS INTENTION TO PURSUE A POLICY OF "GENUINE NON-ALIGNMENT" AND HAVE EQUALLY GOOD RELATIONS WITH THE US AND THE USSR.

4. CONVENTIONAL ARMS RESTRAINT: INDIA IS SUBSTANTIALLY SELF-SUFFICIENT IN CONVENTIONAL ARMS BUT PURCHASES SOPHISTICATED CONFIDENTIAL

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NAVAL, AIR, AND MISSILE EQUIPMENT FROM ABROAD, MAINLY FROM THE USSR BUT FROM EUROPEAN COUNTRIES AS WELL. DESPITE ITS POSITION AS THE PREDOMINANT MILITARY POWER IN THE REGION, A SERIES OF WARS WITH PAKISTAN AND CHINA OVER THE LAST 25 YEARS HAVE LEFT THE GOVERNMENT EXTREMELY SENSITIVE TO ANY SIGNS OF INCREMENTAL MILITARY SALES TO ITS NEIGHBORS, PARTICULARLY PAKISTAN, AND MOST PARTICULARLY WHEN THE SUPPLIES COME FROM THE US. DESPITE THIS ATTITUDE TOWARD MILITARY SALES IN SOUTH ASIA, THE INDIANS HAVE EXPRESSED STRONG RESERVATIONS OVER GENERAL PROPOSALS

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FOR INTERNATIONAL RESTRAINTS ON THE SALE OF MILITARY EQUIPMENT TO DEVELOPING COUNTRIES. SUCH RESTRAINTS ARE SEEN AS ATTEMPTS TO FREEZE MILITARY BALANCES IN THE FAVOR OF EITHER REGIONAL POWERS SUCH AS SOUTH AFRICA OR ISRAEL, OR THE GREAT POWERS. INDIA HAS NEVERTHELESS DISCUSSED WITH PAKISTAN THE POSSIBILITY OF AGREED LEVELS OF MILITARY DEPLOYMENT AND, ALTHOUGH PROGRESS WAS NOT MADE, INDIAN OFFICIALS INDICATE THAT THEY MAY TAKE UP THE ISSUE AGAIN. US INTERESTS WOULD BE SERVED BY SUCH AN AGREEMENT BUT I DOUBT THAT WE CAN PLAY AN INFLUENTIAL ROLE IN ACHIEVING IT.

5. ECONOMIC DEVELOPMENT: ECONOMICALLY, INDIA CONTINUES TO REMAIN DEPENDENT ON THE MONSOONS AND TO FACE FUNDAMENTAL ECONOMIC AND SOCIAL PROBLEMS. DURING THE PAST YEAR ITS BALANCE OF PAYMENTS POSITION HAS IMPROVED MARKEDLY, PROVIDING THE OPPORTUNITY TO CHANNEL RESOURCES MORE DIRECTLY INTO THE DEVELOPMENT PROCESS. AS AN INDUSTRIALIZED COUNTRY AND AT THE SAME TIME ONE OF THE POOREST, INDIA SHARES COMMON INTERESTS WITH BOTH DEVELOPING AND DEVELOPED COUNTRIES. ITS SHARE OF TRADE WITH THE COMMUNIST BLOC HAS DECLINED AND INDIA RECOGNIZES THAT ITS FUTURE IMPORT AND TECHNOLOGY NEEDS

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MUST, IN LARGE PART, COME FROM THE WEST. CONSEQUENTLY INDIA'S SENSE OF ITS FUTURE ECONOMIC INTERESTS HAS INCREASINGLY BEEN DIRECTED TOWARD THE WEST. US INTERESTS ARE SERVED BY ENCOURAGING THIS TREND, WHICH COULD DRAW IT TOWARDS COUNTRIES WHICH HAVE A STAKE AND SHARE IN A GRADUAL AND PRAGMATIC EVOLUTION OF THE PRESENT WORLD ECONOMIC SYSTEM. US INTERESTS, THEREFORE, LIE IN ENCOURAGING INDIA TO PLAY A CONSTRUCTIVE ROLE AMONG THE LDCS IN INTERNATIONAL ECONOMIC FORA, SUPPORTING ITS PARTICIPATION IN

INTERNATIONAL ECONOMIC INSTITUTIONS, AND IN ESTABLISHING A CONTINUOUS BILATERAL DIALOGUE ON MULTILATERAL AS WELL AS BILATERAL ECONOMIC ISSUES.

6. POPULATION: IN RECENT YEARS, INDIA HAS BECOME INCREASINGLY CONSCIOUS OF THE DEPRESSING WEIGHT OF ITS RAPID POPULATION GROWTH ON ECONOMIC PROGRESS. ALTHOUGH ONE OF THE FIRST NATIONS TO PUT INTO EFFECT A NATIONAL POPULATION PLANNING PROGRAM, INDIA DID NOT GIVE PRIORITY TO ITS PROGRAM UNTIL THE LATE 1960'S. INDIA DOES NOT WANT SUBSTANTIAL FOREIGN INVOLVEMENT IN THIS AREA AND THE US IS ONLY MINIMALLY ENGAGED THROUGH THE ACTIVITIES OF VOLUNTARY AGENCIES AND JOINT BIOLOGICAL RESEARCH. WHILE VOLUNTARY STERILIZATION HAS BEEN A PART OF THE INDIAN PROGRAM SINCE THE MID-1960'S, THE APPLICATION OF NEW INCENTIVES, DISINCENTIVES AND COERCION IN 1975-6 CAUSED SUCH A NEGATIVE PUBLIC REACTION IN CERTAIN AREAS THAT THE PROGRAM HAS BEEN SERIOUSLY SET BACK. INDIA'S NEW GOVT HAS NEVERTHELESS SET FORTH AS A MAJOR OBJECTIVE FAMILY PLANNING BUT MADE CLEAR THAT THE PROGRAM WILL BE ENTIRELY VOLUNTARY.

7. NON-PROLIFERATION: US INTEREST IN NON-PROLIFERATION HAS FOR SOME TIME BEEN IN PARTIAL CONFLICT WITH INDIAN INTENTIONS TO DEVELOP AN INDEPENDENT NUCLEAR CAPABILITY. INDIA HAS ACCEPTED INTERNATIONAL SAFEGUARDS ON THOSE NUCLEAR INSTALLATIONS BUILT WITH FOREIGN ASSISTANCE BUT HAS INSISTED ON KEEPING THOSE BUILT INDIGENOUSLY FREE OF SUCH SAFEGUARDS. INDIA HAS PRIVATELY EXPRESSED AGREEMENT WITH US OBJECTIVES FOR STRICT RESTRAINTS ON EXPORTS OF NUCLEAR TECHNOLOGY AND HAS PUBLICLY STATED IT DOES CONFIDENTIAL

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NOT INTEND TO DEVELOP NUCLEAR WEAPONS EVEN THOUGH IT ENGAGES IN NUCLEAR EXPLOSIVE PROGRAMS. INDIA INSISTS THAT ANY INTERNATIONAL TREATIES OR PROGRAMS FOR CONTROLLING NUCLEAR EXPLOSIONS OR WEAPONS BE EQUALLY APPLICABLE TO ALL STATES, INCLUDING THE MAJOR OWNERS. INDIA HAS ENGAGED IN QUIET AND PROLONGED NEGOTIATIONS WITH THE US RELATING TO THE SUPPLY OF NUCLEAR FUEL TO A US-BUILT NUCLEAR REACTOR, I HAVE SEEN NO INDICATION THAT INDIA WILL AGREE TO ALTER THAT PART OF ITS CURRENT NUCLEAR DEVELOPMENT PROGRAM WHICH IS INDEPENDENT OF INTERNATIONAL SAFEGUARDS. FIRST STATEMENTS BY THE NEW PRIME MINISTER INDICATE THERE MAY BE SOME FLEXIBILITY IN CERTAIN ELEMENTS OF INDIA'S NUCLEAR POLICY (E.G; TESTING) BUT THE HARD LINE VIEWS OF A NUMBER OF MEMBERS OF THE NEW GOVT SUGGEST THAT (CONTINUED)

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THE PROSPCTS FOR FAVORABLE CHANGE ARE VERY LIMITED.

8. OVERVIEW: BASIC ECONOMIC CONSIDERATIONS ARE UNLIKELY TO CHANGE SIGNIFICANTLY IN THE NEXT FEW YEARS IN INDIA: THERE IS LIKELY NEITHER TO BE A SUDDEN "TAKE OFF" NOR A CATASTROPHIC COLLAPSE. LONG-TERM AGRICULTURAL GROWTH AT THE RATE OF ABOUT 2-1/2 - 3 PERCENT AND GNP GROWTH AT THE RATE OF 3- 4 PERCENT WILL PROBABLY CONTINUE. SHORT-TERM VARIATIONS IN BOTH RATES WILL CONTINUE TO BE INFLUENCED MAINLY BY THE WEATHER. BARRING SUBSTANTIAL POLICY CHANGE BY THE NEW GOVT THERE IS NOT LIKELY TO BE A SIGNIFICANT INCREASE IN FOREIGN INVESTMENT IN INDIA, NOR WOULD WE WISH TO ENCOURAGE ANYTHING BUT SLOW AND CAREFUL US PRIVATE INVESTMENT. INDIA'S FOREIGN TRADE WILL CONTINUE TO INCREASE AND THE US AND WESTERN EURZPE'S SHARE IN INDIAN EXPORTS AND IMPORTS WILL PROBABLY ALSO CONTINUE TO INCREASE. POPULATION GROWTH TRENDS ARE SLOWLY DECLINING, BUT THE 1981 CENSUS SHOULD STILL SIGW AN OVERALL INCREASE OF ABOUT 2 PERCENT A YER SINCE 1971, 94 70 59 665-75 MILLION BY THE NEXT CENSUS IN 1981. NET ECONOMIC GROWTH, INCLUDING AGRICULTURAL PRODUCTION, SHOULD, HOWEVER, STAY AHEAD OF POPULATION GROWTH.

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9. SCINETIFIC AND TECHNOLOGICAL DEVELOPMENT WILL MAKE IMPRESSIVE PROGRESS. LRDIA'S MARKETS IN THE DEVELOPING WORLD SHOULD CONTINUE TO GROW AND THE ROLE OF INDIAN TECHNICIANS AND LABOR IN AFRICA AND THE MIDDLE EAST MAY BECOME INCREASINGLY PROMINENT. IMPORTANT AGRICULTURAL RESEARCH AND WORK ON FAMILY PLANNING-RELATED REPRO-

DUCTIVE BIOLOGY WILL CONTINUE. INDIA WILL ALSO CONTINUE ITS NUCLEAR DEVELOPMENT PROGRAMS, EMPHASIZING INDIGENOUS CAPABILITY. I SEE LITTLE IF ANY PROSPECT THAT ANY INDIAN GOVT WILL AGREE TO ACCEPT FULL SAFEGUARDS ON ALL INDIAN NUCLEAR INSTALLATIONS. INDIA'S POLICIES ON NUCLEAR EXPLOIINS WILL ADAPT THEMSELVES BOTH TO INDIAN PERCEPTIONS OF THE ACTUAL BENEFITS OF TESTING (POLITICAL, ECONOMIC, MILITARY) AND TO PROGRESS ON COMPREHENSIVE TEST BAN NEGOTIATIONS. INDIA'S BELIEF THAT MAJOR INTERNATIONAL AGREEMENTS ON NUCLEAR POLICY--ANDINDEED ALL DISARMAMENT ISSUES-- MUST BE FORMULATED SO THAT THEY AR EQUALLY APPLICABLE IN ALL RESPECTS TO ALL STATES WILL GAIN WIDER ACCEPTANCE. INDIA IS UNLIKELY TO COMPROMISE THESE VIEWS. SATELLITE AND SPACE ROCKET/BOOSTER TECHNOLOGY WILL BE FUTHER EMPHASIZED BOTH FOR ITS WIDESPREAD PEACEFUL APPLICATIONS AND FOR POTENTIAL MILITARY USE AS WELL. OIL PRODUCTION WILL STEADILY INCREASE BUT INDIA WILL REMAIN A NET IMPORTER FOR SEVERAL YEARS.

10. INDIA WILL PROGRESSIVELY CONTINUE TO PERCEIVE ITSELF AND WISH TO BE ACCEPTED AS A MAJOR REGIONAL POWER WHICH CAN AND SHOULD BE CONSULTED BY THE MAJOR INDUSTRIAL STATES, AND PARTICULARLY THE US, ON ALL ECONOMIC, POLITICAL, AND MILITARY ISSUES RELATING TO THE ENTIRE INDIAN OCEAN BASIN. IT WILL ALSO SEE ITSELF AS A NATION WHICH IS SUFFICIENTLY DEVELOPED SO THAT IT CAN CONTRIBUTE TO DEVELOPING COUNTRIES. A KEY ELEMENT IN INDIA'S VIEW OF THE US IS THAT INDIA IS NOT UNDERSTOOD AND ACCEPTED AS IMPORTANT. US POLICIES RELATING TO INDIA AND AREAS IN WHICH INDIA BELIEVES ITS INTERESTS ARE INVOLVED ARE CONSTANTLY MEASURED AGAINST THIS INDIAN SELF-PERCEPTION AND COMPARED WITH US POLICIES ROWARD FAR SMALLER COUNTRIES WITH LESSER WEIGHTS IN INTERNATIONAL AFFAIRS. INDIA WISHES THE US TO "PAY ATTENTION" AND TO BEHAVE-- WHETHER  
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IN TERMS OF CONSULTATION, NEGOTIATIONS, PRESENTATIONS TO CONGRESS AND IN INTERNATIONAL FORA--AS THOUGH INDIA IS AN IMPORTANT STATE AND ABLE TO CONTRIBUTE TO THE RESOLUTION OF IMPORTANT REGIONAL AND GLOBAL ECONOMIC AND POLITICAL PROBLEMS.

11. INDIAN FOREIGN POLICY ATTITUDES, HOWEVER, ARE NOT LIKELY TO CHANGE ON CERTAIN BROAD QUESTIONS OF CONCERN TO THE US: WILLINGNESS TO COMPROMISE WITH LESS MODERATE NATIONS IN ORDER TO PRESERVE THE UNITY OF THE NON-ALIGNED MOVEMENT; RELUCTANCE TO BREAK RANKS WITH OTHER DEVELOPING COUNTRIES; PRACTICE OF UNQUESTIONING SUPPORT TO THE ARAB CAUSE IN THE MIDDLE EAST (ALTHOUGH THE NEW  
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GOVT MAY SEEK A BETTER BALANCE); SUPPORT TO AFRICAN POLICIES  
TOWARD SOUTHERN AFRICAN ISSUES; AND SUPPORT FOR CONSENSUSES  
REACHED BY REGIONAL GROUPS ON ISSUES OF LITTLE DIRECT INTEREST  
TO INDIA SUCH AS PANAMA. INDIA'S NEW GOVT MAY, HOWEVER, BE  
MORE WILLING TO SPEAK OUT ON HUMAN RIGHTS ISSUES IN INTERNATIONAL  
FORA. INDIA WILL CONTINUE TO ENTER INTO A MORE BALANCED RELATION-  
SHIP WITH GLOBAL POWERS. REFLECTING ITS PERCEPTIONS OF ITS  
CHANGING INTERESTS, INDIA WILL CONTINUE TO SEEK TO IMPROVE ITS  
RELATIONS WITH THE US, LOOKING FOR BENEFITS IN TRADE, ECONOMIC  
ASSISTANCE, THE TRANSFER OF TECHNOLOGY, AND GREATER RESPECT FOR  
ITS REGIONAL INTERESTS. IT WILL SEEK TO RETAIN ITS PRESENT  
FRIENDLY AND MUTUALLY BENEFICIAL RELATIONSHIP WITH THE SOVIET  
UNION, RECOGNIZING THAT THE BENEFITS MAY BE SOMEWHAT REDUCED  
BECAUSE OF INDIA'S CHANGING NEEDS AND THE SOVIET UNION'S REACTION  
TO INDIA'S CHANGING POSTURE. I DOUBT THAT THERE WILL BE  
MUCH CHANGE IN INDIA'S FORMAL RELATIONSHIP WITH THE USSR  
UNLESS THE SOVIETS TAKE THE INITIATIVE.

12. INDIA WILL CONTINUE TO MODERNIZE AND STRENGTHEN ITS ARMED  
FORCES. IT WILL PROBABLY SEEK MORE WEAPONRY FROM THE WEST THAN  
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IN RECENT YEARS IN ORDER TO DIVERSIFY ITS SOURCES AND OBTAIN  
CERTAIN ITEMS OF HIGH QUALITY. I DOUBT, HOWEVER, THAT IT WILL  
SIGNIFICANTLY ALTER ITS MILITARY PROCUREMENT RELATIONSHIP WITH THE  
SOVIETS. THE PROSPECTS FOR WAR IN THE REGION OF SOUTH ASIA  
ARE RELATIVELY LOW AT THIS TIME AND SHOULD REMAIN SO FOR THE

NEXT 2-3 YEARS. TENSIONS WITH BANGLADESH COULD INCREASE TO THE EDGE OF POTENTIAL HOSTILITIES, BUT ARE NOT LIKELY TO EXPLODE OVER THAT EDGE. WAR WITH CHINA IS ALMOST EXCLUDED IN THIS TIME FRAME AND UNLIKELY WITH PAKISTAN. CRISIS MANGEMENT IN THIS AREA, THEREFOD, SHOULD NOT BE A SERIOUS PROBLEM THROUGH FY79 SO LONG AS INTERNAL STABILITY IS NOT THREATENED IN INDIA OR OTHER STATES IN SOUTH ASIA.

13. THE PROSPECT FOR HUMAN RIGHTS AND DEMOCRATIC INSTITUTIONS HAVE BEEN GREATLY IMPROVED BY INDIA'S EXPERIENCE WITH AUTHORITARIAN RULE AND ITS SUCCESS IN THE RECENT TRANSITION TO NEW GOVT. AWARE OF THE VENGEANCE OBTAINED BY THE ILLITERATE PEASANT AT THE POLLS AND THE PENALTIES SUFFERED BY MRS. GANDHI AND HER CLOSE ASSOCIATES FOR THEIR ATTEMPT TO ALTER INDIAN INSTITUTIONS, INDIA'S FUTURE POLITICAL LEADERS WILL THINK TWICE BEFORE REPEATING THE EXPERIMENT. AT THE SAME TIME, THE PROSPECTS FOR POLITICAL STABILITY IN THE FUTURE ARE UNCERTAIN. ALTHOUGH THERE ARE MODERATE LEADERS EXPERIENCED IN GOVT IN THE NEW CABINET, THERE ARE ALSO HINDU NATIONALISTS AND RADICAL IDEALISTS AND REFORMERS. INDIA'S PROBLEMS REMAIN AS INTRACTABLE AS EVER AND THE NEW HETEROGENIOUS GOVT MAY HAVE GREAT DIFFICULTY MANAGING THEM. THEREFORE, THERE ARE LIKELY TO BE PERIODS OF DISCOURAGEMENT DURING WHICH SOME INDIANS WILL LONG FOR THE DISCIPLINE AND ORDER OF THE EMERGENCY. I ESTIMATE THAT REPRESENTATIVE INSTITUTIONS W LL CONTINUE TO FUNCTION BUT THAT PROGRESS WILL BE SLOW AND FRUSTRATING.

14. OBJECTIVES, COURSES OF ACTION AND ISSUES: EVEN FRIENDLY AND HELPFUL INDIAN OFFICIALS BELIEVE THAT IN RECENT YEARS THE ESSENCE OF US POLICY ATTITUDES AND OBJECTIVES TOWARD INDIA HAS BEEN NEGATIVE RATHER THAN PU ITIVE. THEY INCORRECTLY BELIEVE US EFFORTS HAVE BEEN FOCUSED ON LIMITING THE DAMAGE FROM INDIA TO CONFIDENTIAL

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OTHER US INTERESTS RATHER THAN IN FINDIG INTERESTS IN COMMON WITH INDIA. THE ESTABLISHMENT OF AN INDO-US JOINT COMMISSION IN 1974 TO COORDINATE ANDONOCUS ON COOPERATION IN ECONOMIC, SCIENTIFIC, AND CULTURAL AREAS HAS HELPED IN DIRECTING BUREAU-CRATIC EMPHASIS IN BOTH COUNTRIES AND IN CUTTING SOME RED-TAPE BUT HAS NOT DEALT EITHER WITH MORE SENSITIVE ISSUES IN BILATERAL RELATIONS OR ALTERED BASIC PERCEPTIONS IN EITHER COUNTRY'S GOVTS. THERE HAS NOT BEEN A MEETING AT THE PRIME MINISTER-PRESIDENT LEVEL SINCE 1971, AND THE TWO MEETINGS WHICH TOOK PLACE THAT YER DID NOT CONTRIBUTE TO AN IMPROVEMENT IN BILATERAL RELATIONS. VISITS BY MEMBERS OF CONGRESS (CONTINUED)

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TO INDIA HAVE BEEN RARE IN THE LAST FIVE YEARS, AVERAGING NO MORE THAN 2-3 A YEAR, AND ONLY TWO SENIOR CABINET SECRETARIES HAVE COME TO INDIA SINCE 1973. SENIOR OFFICIAL CONTACT HAS BEEN ESSENTIALLY THROUGH ONE-TIME MEETINGS BETWEEN THE INDIAN FOREIGN MINISTER AND THE SECRETARY OF STATE DURING UN SESSIONS IN NEWYORK OR AT OTHER INTERMITTENT INTERNATIONAL CONFERENCES. EVEN CONTACTS BETWEEN US AMBASSADORS IN INDIA AND THE PRIME MINISTER HAVE BEEN FEW AND FAR BETWEEN AVERAGING NO MORE THAN ONE OR TWO A YEAR IN THE LAST FOUR YEARS.

15. THIS PAUCITY OF PERSONAL COMMUNICATION HAS REFLECTED THE SCANT AREAS ON WHICH US AND INDIAN LEADERS HAVE FELT THE NEED TO COMMUNICATE AND HAS SYMBOLIZED THE DISTANCE WHICH HAS DEVELOPED IN RECENT YEARS BETWEEN THE TWO COUNTRIES. TO A CONSIDERABLE DEGREE I HAVE WELCOMED THIS DEVELOPMENT AS A BALANCE TO THE ATMOSPHERE OF EXCESSIVE MUTUAL INVOLVEMENT AND SENSE OF EXPECTATION WHICH HAD GROWTHKUP DURING THE 195816 -,\$ 1960S AND WHYCH HAD LEZ TO SEVERE DISAPIINTMENT AND DISILLUSIONMENT ON BOTH SIDES.

16. NEVERTHELESS IT SEEMS TO ME THAT OVER THE NEXT SEVERAL YEARS  
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THERE ARE A NUMBER OF IMPORTANT US INTERESTS WHICH COULD BE SERVED BETTER BY A PARTIAL REVERSAL OF THE APPROACH OF THE LAST FIVE YEARS.

17. NUCLEAR POLICY: INDIA, LIKE BRAZIL, ARGENTINA, EGYPT,

ISRAEL AND ONE OR TWO OTHER DEVELOPING COUNTRIES, IS OF KEY IMPORTANCE FOR US NON-PROLIFERATION POLICY. PROLIFERATION HAS ALREADY SPREAD TO INDIA AND WE SEE VIRTUALLY NO PROSPECT THAT IT WILL DISAPPEAR. INDIA HAS THE COMPETENCE TO "GO IT ALONE" AND IT WILL. THE US CAN EITHER FIND A WAY OF ENCOURAGING INDIAN COOPERATION IN THE NUCLEAR FIELD, OR OF LETTING INDIA MAKE ITS OWN WAY AND FORM AN INDEPENDENT CENTER FOR NUCLEAR COOPERATION WITH OTHER DEVELOPING STATES. WHILE WE MAY BE ABLE TO DELAY AND INCREASE THE COSTS OF INDIA'S BECOMING AN INDEPENDENT NUCLEAR CENTER, WE PROBABLY CANNOT HALT GZ. I REALIZE THIS GENERAL ISSUE IS UNDER HIGH-LEVEL CONSIDERATION IN WASHINGTON NOW. IF THE DECISION IS MADE TO SHORT-CIRCUIT FUTURE NUCLEAR COOPERATION WITH INDIA, OTHER AREAS FOR INDO-US COOPERATION MAY ALSO BE AFFECTED. I THINK MORE IS TO BE GAINED BY INCREASINGLY ENGAGING INDIA IN MULTILATERAL NUCLEAR POLICY DISCUSSIONS INCLUDING THE LONDON SUPPLIER GROUP, THAN IN ENDEAVORING TO EXERT PRESSURE ON IT FROM OUTSIDE.

18. INSTITUTIONALIZING US-INDIA RELATIONS: I BELIEVE THE INDO-US JOINT COMMISSION AND THE THREE SUBCOMMISSIONS SHOULD BE RETAINED AS VEHICLES FOR REVIEWING BILATERAL RELATIONS AND PROVIDING A GENERAL OVERSIGHT OF OUR JOINT ECONOMIC, SCIENTIFIC AND CULTURAL ACTIVITIES. WHILE SOME OF THE PERFORMANCES OF THE SUBCOMMISSIONS HAVE BEEN DISAPPOINTING, OVERALL THEY HAVE PROVED TO BE EFFECTIVE INSTITUTIONS WHICH EMPHASIZE THE MUTUAL INTERESTS IN OUR RELATIONSHIP. WE SHOULD NOT, HOWEVER, LIMIT THE ACTIVITIES AND EXCHANGES WHICH WE ENVISAGE OVER THE NEXT TWO YEARS OF SO TO THOSE SET FORTH WITHIN THE JOINT COMMISSION TERMS OF REFERENCE; SOME NEW INITIATIVES CAN PERHAPS BE FITTED WITH

THE SUBCOMMISSIONS WHILE OTHERS SHOULD PROCEED INDEPENDENTLY.  
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19. RESOURCE TRANSFERS: INDIAN REQUIREMENTS FOR FOREIGN ASSISTANCE WILL CONTINUE TO BE LARGE FOR THE FORESEEABLE FUTURE. INDIA'S PRESENT EASY POSITION REGARDING FOOD GRAINS AND FOREIGN EXCHANGE IS NOT LIKELY TO BE PERMANENT. WHILE INDIA HAS ACHIEVED A LARGE MEASURE OF DEVELOPMENT IN THE LAST 30 YEARS, ON A PER CAPITA BASIS IT REMAINS ONE OF THE POOREST COUNTRIES IN THE WORLD AND ONE OF THE LEAST AIDED. IT HAS INTENSE AND EXTREMELY INTRACTABLE AREAS OF POVERTY WHICH ONLY ENORMOUS INPUTS OF CAPITAL MAY IN THE LONG RUN REDUCE. CONSEQUENTLY LARGE INDIAN REQUIREMENTS FOR FOREIGN ASSISTANCE WILL CONTINUE INTO THE FORESEEABLE FUTURE. A MAJOR SOURCE WILL, AND SHOULD, CONTINUE TO BE THE WORLD BANK AND OTHER AID-TO-INDIA CONSORTIUM MEMBERS. INDIA WELCOMES INDICATIONS OF US SUPPORT TO AN EXPANDED MULTILATERAL PROGRAM OF RESOURCE TRANSFERS TO THE UNDERDEVELOPED COUNTRIES IN THE FUTURE. INDIA CONSIDERS THAT IT NOT A CONHUNUINR CLAIM OF A SUBSTANTIAL

PORTION OF WORLD BANK FUNDS, AND PARTICULARLY IDA LENDING RESOURCES, ALTHOUGH IT ACCEPTS THAT ITS SHARE ON A PER CAPITA BASIS WILL BE LESS THAN THAT OF MOST OTHER COUNTRIES. I BELIEVE THAT BOTH INDIA'S DEVELOPMENT EFFORTS AND IMPORTANCE TO THE WESTERN COUNTRIES IN THE NORTH-SOUTH DIALOGUE JUSTIFY INDIA'S CONTINUING TO RECEIVE INCREASING AMOUNTS OF IBRD AND IDA FLOWS IN REAL TERMS. I BELIEVE SOME DOWNWARD ADJUSTMENT OF INDIA'S SHARE OF IDA, AS THE US IS NOW PROPOSING TO THE ANK, CAN BE MADE BUT THE ANNUAL AMOUNTS IN REAL TERMS SHOULD CONTINUE TO INCREASE. WHILE REDUCING INDIA'S SHARE OF IDA, WE SHOULD ENCOURAGE INCREASED USE OF IBRD AND COMMERCIAL LOANS, AS WELL AS REINSTITUTE A MODEST BILATERAL ASSISTANCE PROGRAM. BY SELECTING AN APPROPRIATE KIND OF PROGRAM AND LIMITING ITS SIZE WE SHOULD BE ABLE TO AVOID THE PROBLEMS OF THE PAST OF TOO LARGE AN AMERICAN PRESENCE AND TOO INTRUSIVE A PROGRAM. WHEN OUR PROGRAM IS COMBINED WITH THAT OF OTHER BILATERAL DONORS, IT WILL HAVE A SIGNIFICANT ECONOMIC IMPACT. ALSO A BILATERAL PROGRAM WILL SUPPORT OUR OVERALL POLITICAL POSTURE TOWARD INDIA AND ITS NEW DEMOCRATIC GOVT.

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20. TRADE AND INVESTMENT: WHILE THE LARGE TRADE SURPLUSES IN OUR FAVOR CAUSED BY SUBSTANTIAL FOOD GRAIN SALES HAVE TEMPORARILY DIMINISHED AS A RESULT OF (CONTINUED)

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NSC-05 TRSE-00 USIE-00 NEAE-00 SSO-00 NSCE-00  
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INDIA'S CURRENT FAVORABLE FOOD GRAIN POSITION, I BELIEVE FOR THE FORESEEABLE FUTURE INDIA WILL BE A SUBSTANTIAL NET IMPORTER OF US AGRICULTURAL COMMODITIES. FOR THE PRESENT WE SHOULD TAKE ADVANTAGE OF INDIA'S STRONGER FOREIGN EXCHANGE POSITION AND MORE LIBERAL IMPORT RULES BY DIVERSIFYING OUR EXPORTS TO INDIA. US EXPORT PROMOTION EFFORTS SHOULD BE GRADUALLY INCREASED. AT THE SAME TIME, WE SHOULD STRENGTHEN OUR TRADE RELATIONSHIP BY ASSISTING INDIA TO MAINTAIN A BETTER BALANCE WITH THE UNITED STATES. WE SHOULD BE MORE FORTHCOMING IN GRANTING TRADE PREFERENCES TO INDIA IN MULTILATERAL TRADE NEGOTIATIONS. WITH SOME MAJOR EXCEPTIONS, INDIA HAS RESOLVED SEVERAL FOREIGN INVESTMENT PROBLEMS AND IS NOW ATTEMPTING TO PRESENT A MORE FLEXIBLE IMAGE TO NEW FOREIGN INVESTORS. WHILE THE CLIMATE FOR FOREIGN INVESTMENT REMAINS AMBIVALENT, WE SHOULD CONTINUE TO TEST INDIA'S POLICIES BY OUR EXPERIENCE WITH THEIR IMPLEMENTATION; THE UNITED STATES SHOULD PROVIDE LIBERAL OPIC COVERAGE FOR THOSE US FIRMS WHICH DO ENTER

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THE INDIAN ECONOMY.

21. BILATERAL DIALOGUE ON NORTH-SOUTH ISSUES: BECAUSE OF ITS INTEREST IN CONSTRUCTIVE PROGRESS IN THE DIALOGUE BETWEEN THE DEVELOPED AND UNDER-DEVELOPED NATIONS, INDIA WILL REMAIN OF CONSEQUENCE TO THE US AS DISCUSSIONS CONTINUE. I BELIEVE WE SHOULD END OUR TENDENCY TO ISOLATE OUR MULTILATERAL ACTIVITIES FROM OUR BILATERAL RELATIONS. IN WASHINGTON AND DELHI, WE SHOULD ENGAGE THE INDIANS IN DISCUSSIONS OF ECONOMIC ISSUES KEYED BOTH TO DIRECT INDIAN INTERESTS AND TO ITEMS UNDER MULTILATERAL DISCUSSION. BY CARRYING THIS DIALOGUE TO THE HIGHEST LEVELS IN BOTH GOVERNMENTS, WE CAN BETTER BRING INDIAN POSITIONS INTO CONFORMITY WITH THEIR ECONOMIC INTERESTS AND INSULATE THEM FROM THE POLITICAL CONSIDERATIONS WHICH BECOME SO IMPORTANT IN MULTILATERAL FORA. WE SHOULD NOT EXPECT TO SEPARATE INDIA FROM THE NON-ALIGNED OR UNDERDEVELOPED, HOWEVER. WE SHOULD EXPECT ONLY THAT INDIA MAY BECOME A MORE EFFECTIVE MODERATE WITHIN THOSE GROUPS.

22. SCIENCE AND TECHNOLOGY: WITH THE LARGEST POOL OF SCIENTIFIC AND TECHNICAL TALENT IN THE WORLD

OUTSIDE THE US AND USSR, IT IS VIRTUALLY INEVITABLE THAT INDIA WILL BE ONE OF THE MAJOR PARTIES TO THE 1979 UN CONFERENCE ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT. INDIA CAN BE A PARTNER OR AN ADVERSARY--IT MAY ULTIMATELY BE BOTH, BUT THE LEVEL OR PRIOR DIALOGUE AND DEGREE OF PRIOR CONSULTATION WITH INDIAN LEADERS MAY SIGNIFICANTLY DETERMINE THE BALANCE BETWEEN THE TWO. THE INDO-US SUBCOMMISSION ON SCIENCE AND TECHNOLOGY HAS THUS FAR BEEN A HELPFUL BUT NOT PARTICULARLY POLICY-ORIENTED AGENCY FOR FACILITATING BILATERAL COOPERATION IN SPECIFIC AREAS. I BELIEVE WE SHOULD CONSIDER ONE OR SEVERAL

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MEETINGS AT A HIGHER LEVEL BUT PERHAPS WITHIN THE GENERAL FRAMEWORK OF THE SUBCOMMISSION TO CONSIDER BROADER QUESTIONS OF TECHNOLOGY TRANSFER, PARTICULARLY BEFORE THE INDIAN POSITION BECOMES MORE FIRMLY INTERNECHED IN NONALIGNED ESTABLISHED POLICIES LATER THIS YEAR. I RECOMMEND THAT THE US SUPPLEMENT ITS EXPENDITURE OF US-OWNED RUPEES IN THE SUPPORT OF JOINT US-INDIAN RESEARCH WITH LIMITED SUMS OF DOLLARS FOR EXPENDITURE IN THE UNITED STATES TO MAKE POSSIBLE MORE BALANCED SCIENTIFIC COOPERATION AND BETTER SUPPORT THE INTERNATIONAL SCIENTIFIC DIALOGUE IN WHICH INDIA WILL PLAY AN IMPORTANT ROLE.

23. DISARMAMENT AND REGIONAL ARMS LIMITATIONS: THE PRESIDENT'S INTEREST IN "DEMILITARIZATION OF THE INDIAN OCEAN" WILL STRIKE A SYMPATHETIC CHORD IN INDIA, DEPENDING ON ITS CONTENT. INDIA WILL SEE DEMILITARIZATION, HOWEVER, ONLY IN THE CONTEXT OF GREAT POWER ACTIVITIES AND WILL HAVE MUCH MORE DIFFICULTY ACCEPTING ANY PROPOSAL FOR GENERAL ARMS LIMITATION OR RESTRAINT BY THE INDIAN OCEAN LITORAL STATES. ANY US PROPOSAL WOULD BE SEEN BY INDIA AS ULTIMATELY INVOLVING DISMANTLING OF DIEGO GARCIA OR CLEAR AND UNEQUIVOCAL LIMITATION OF ITS FUNCTIONS TO COMMUNICATION. NUCLEAR-FREE ZONES IN THE INDIAN OCEAN AREA HAVE BECOME ENMESHED IN INDO-PAKISTAN POLITICAL SUSPICIONS AND THE GOI WILL ALMOST CERTAINLY CITE CHINESE NON-PARTICIPATION AS A BARRIER TO AGREEMENT. I SEE LITTLE PROSPECT FOR ANY SIGNIFICANT PROGRESS IN THIS AREA OTHER THAN RHETORICAL. THERE ARE POTENTIAL AREAS FOR NEGOTIATION AND AGREEMENT BETWEEN INDIA AND PAKISTAN ON "CONFIDENCE-BUILDING MEASURES" ALONG THEIR BORDERS AND CONCEIVABLY ON RESPECTIVE ARMS LEVELS. THE US, SOVIET UNION, FRANCE AND THE UK COULD CONSTRUCTIVELY SUPPORT SUCH INITIATIVES ONCE THEY ARE TAKEN WITHIN THE REGION

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OR EVEN INDICATE BEFOREHAND SUPPORT FOR SUCH MEASURES  
SHOULD THEY BE AGREED TO. I DO NOT BELIEVE, HOWEVER,

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NSC-05 TRSE-00 USIE-00 NEAE-00 SSO-00 NSCE-00  
INRE-00 /077 W

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TO STATE WASHDC IMMEDIATE 2315  
CINCPAC

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CINCPAC FOR POLAD

THAT ANY ACTIVE US INVOLVEMENT IN THIS PROCESS WOULD BE  
HELPFUL AND AM FEARFUL IT COULD COMPLICATE THE PROGRESS.

24. NARCOTIC JK INFRIA REMAINS THE LARGEST SINGLE SOURCE OF  
OPIUM AND HAS GT, THUS FAR, BECOME A SIGNIFICANT SOURCE  
FOR ILLICIT NARCOTICS TRANSFER. COOPERATION IN THE FIELD  
OF DRUG ENFORCEMENT IS EXCELLENT AND INDIA PROVED RESPONSIVE  
LAST YEAR TO REQUESTS FOR LARGER SHIPMENTS OF LEGAL  
OPIUM TO THE UNITED STATES. CONTINUED US SENSITIVITY TO  
INDIAN INTERESTS IN PRICE STABILITY WILL HELP AVOID SERIOUS  
DISTURBANCES IN THE LEGAL DOMESTIC MARKET. ANY US PLAN TO  
GROW PAPAVER BRACTEATUM WOULD INTERFERE WITH INDIAN PRICE  
STABILITY AND CREATE AN OVER-SUPPLY OF OPIUM IN INDIA. THIS  
COULD MAKE AVAILABLE SUBSTANTIAL QUANTITIES OF INDIAN OPIUM  
TO THE ILLICIT MARKET.

25. I THINK THAT INDIA IS LIKELY TO BE SEEN AS INCREASINGLY  
IMPORTANT IN THE PURSUIT OF THE US OBJECTIVES SET FORTH ABOVE,  
MOST OF WHICH RELATE TO KEY ELEMENTS COVERED IN THE S/P  
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BROAD TRENDS PAPER. INCREASED COMMUNICATIONS AND EXCHANGE  
BETWEEN SENIOR US AND INDIAN LEADERS WILL CONTRIBUTE TO  
ESTABLISHING GROUNDS FOR US COOPERATION WITH THE NEW  
INDIAN GOVERNMENT PROVIDING THE EVOLUTION OF BASIC US POLICY  
POSITIONS DOES NOT CUT SHORT PROSPECTS FOR SUCH COOPERATION.  
I BELIEVE THAT A MEETING BETWEEN THE PRESIDENT AND THE  
INDIAN FOREIGN MINISTER AND ONE BETWEEN THE PRESIDENT AND  
THE INDIAN PRIME MINISTER SHOULD BE ENVISAGED IN THE COURSE  
OF THE NEXT 9-12 MONTH PERIOD, WITH POSSIBLE EXCHANGES  
BETWEEN THE SECRETARIES OF TREASURY, DEFENSE, ENERGY AND  
AGRICULTURE, AND THE DIRECTOR OF ACDA OVER THE NEXT 18  
MONTHS.

26. SO LONG AS INDIA IS A FUNCTIONING DEMOCRACY, IN ALL  
OF OUR DEALINGS WITH IT WE SHOULD TAKE INTO SPECIAL ACCOUNT  
OUR INTEREST IN THE VITALITY OF ITS INSTITUTIONS AND SO  
WHAT WE CAN TO CONTRIBUTE TO THEIR EFFECTIVENESS.  
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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
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